



Changes to MHBG Allocation – SFY 2027

Justin Edwards, IADC

Behavioral Health Block Grants Planner

Legal Involved Programs Project Manager

July 15, 2026



Health and
Human Services

Topics

► Legislation Summary & Rationale

- Governor's Letter: HF2782 Line-Item Vetoes
- House File 2782 (2026 State Appropriations)
- House File 1038 (2025 Opioid Settlement Fund)
- House File 2673 (2024 Behavioral Health Transformation)
- Senate File 626 (2025 Federal Block Grant Appropriations)

► FY27 MHBG Reallocation

- Impacts on CMHC Contracts
- Impacts on CMHC Funding Structure

Governor's Letter – A Summary

With the signing of HF 2782, Governor Reynolds included two line-item vetoes:

► Opioid Settlement Funds (OSF)

- Vetoed a \$3 Million earmark for Thrive Now to develop a new residential SUD Treatment facility.

► Rationale

- In 2025, House File 1038 was signed, directing the following:
 - 75% of the state's ongoing share of OSF would be allocated to Iowa HHS.
 - The Iowa HHS allocation would be distributed through competitive procurement processes.
- This earmark would not have been awarded via the established competitive process, therefore not aligning with HF 1038.

Governor's Letter – A Summary

With the signing of HF 2782, Governor Reynolds included two line-item vetoes:

► **70% Mental Health Block Grant Pass-through**

- Vetoed an addition to HF 2782 reintroducing the requirement for a 70% set-aside from the MHBG to CMHCs.

► **Rationale**

- In 2025, Senate File 626 was signed, which eliminated the 70% CMHC set-aside for MHBG starting SFY 2027
- Aligns with the framework outlined in HF 2673 (Behavioral Health Transformation Bill)
 - Iowa HHS's responsibility to direct funds to areas of high need.
- **Does not prohibit Iowa HHS from allocating MHBG funds to CMHCs.**

Mental Health Block Grant Allocation

CMHCs continue to receive a portion of the Mental Health Block Grant via contracts with the Iowa Primary Care Association in FY27.

► Impacts to CMHC Contracts, Starting 7/1/2026

- The same historical methodology was used to determine provider allocations.
 - Total CMHC allocation was reduced by \$1 Million.
- Funding was adopted into the “Access Funds” category with some amended requirements.
 - The historical structure of carrying out select deliverables remains the same.
- Allowable costs were expanded in some ways, so long as they are direct costs in carrying out the CMHCs contracted deliverables.

Mental Health Block Grant Allocation

CMHCs continue to receive a portion of the Mental Health Block Grant via contracts with the Iowa Primary Care Association.

► Impacts to CMHC Funding Structure, Starting 7/1/2026

- Purchasing training at the provider level was disallowed starting in FY27 to align with the governor's vision for a more streamlined investment in training Iowa's BH workforce.
 - The \$1 Million reallocation from MHBG will be used to fund shared training opportunities for the BH safety net.
- CMHCs must invest at least 20% of this award to BH outreach and early intervention activities.
- CMHCs were given access to a 100% Medicaid Match fee schedule in SNMIS to align them with SUPTRS Designees.

Questions



Health and
Human Services